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* * * LOCKHART POWER COMPANY * * *

BALANCE SHEET

For Period Ending: December 31, 2005

| | Current Month Amount | Current Y-T-D Amount | Last Year Y-T-D Amount | |
|---------------------------------------|-------------------------|-------------------------|---------------------------|-------|
| ASSETS | | | | |
| UTILITY PLANT-HISTORICAL COST | | | | |
| INTANGIBLE-ELECTRIC | .00 | 991,069.56 | 991,069.56 | |
| LAND-ELECTRIC | .00 | 366,874.13 | 366,874.13 | |
| LAND IMPROVEMENTS-ELECTRIC | .00 | 3,708,684.86 | 3,741,008.93 | |
| BUILDINGS-ELECTRIC | .00 | 593,159.35 | 593,159.35 | |
| MACHINERY AND EQUIPMENT-ELECTRIC | 23,693.78CR | 29,759,881.14 | 29,178,294.01 | |
| CONSTRUCTION WORK IN PROGRESS | 67,021.23 | 561,281.14 | 196,577.09 | |
| | ----- | ----- | ----- | |
| TOTAL PLANT | 43,327.45 | 35,980,950.18 | 35,066,983.07 | +2.6% |
| | ----- | ----- | ----- | |
| LESS: ACCUMULATED DEPRECIATION | | | | |
| INTANGIBLE-ELECTRIC | 2,063.88CR | 133,648.50CR | 108,881.94CR | -23% |
| LAND IMPROVEMENTS-ELECTRIC | 4,904.14CR | 2,101,331.36CR | 2,075,813.40CR | |
| BUILDINGS-ELECTRIC | 864.57CR | 341,184.45CR | 330,809.61CR | |
| MACHINERY AND EQUIPMENT-ELECTRIC | 34,206.69CR | 14,270,312.40CR | 13,497,403.32CR | |
| NET COST OF ASSET REMOVAL | 2,182.10CR | 7,108.89 | 1,618.77 | |
| | ----- | ----- | ----- | |
| TOTAL ACCUMULATED DEPRECIATION | 44,221.38CR | 16,839,367.82CR | 16,011,289.50CR | -5.2% |
| | ----- | ----- | ----- | |
| NET PLANT | 893.93CR | 19,141,582.36 | 19,055,693.57 | +5% |
| | ----- | ----- | ----- | |
| NONUTIL. PROP. & OTHER INVEST. | .00 | 358,724.64 | 324,918.72 | 10.4% |
| | ----- | ----- | ----- | |
| CURRENT ASSETS | | | | |
| CASH | 577,323.18CR | 1,322,884.91 | 1,347,748.38 | -1.8% |
| WORKING FUNDS | .00 | 600.00 | 600.00 | |
| TEMPORARY CASH INVESTMENT | .00 | .00 | .00 | |
| ACCOUNTS RECEIVABLE-CUSTOMERS | 180,015.48 | 1,134,175.85 | 1,017,503.34 | |
| ACCOUNTS RECEIVABLE-ASSOCIATE CO. | 34,178.01CR | 322,792.85 | 263,770.26 | |
| ACCOUNTS RECEIVABLE-OTHER | 7,063.30 | 11,956.34 | 5,760.00 | |
| INTEREST RECEIVABLE | .00 | .00 | .00 | |
| INVENTORY - MATERIALS & SUPPLIES | 10,639.61 | 285,733.92 | 243,599.53 | |
| PREPAYMENTS & CLEARING ACCOUNTS | 18,187.56 | 25,660.78 | 95,491.43 | |
| MISC. CURRENT & ACCRUED ASSETS | 45,617.30CR | 41,345.24 | .00 | |
| | ----- | ----- | ----- | |
| TOTAL CURRENT ASSETS | 441,212.54CR | 3,145,149.89 | 2,974,472.94 | +5.7% |
| | ----- | ----- | ----- | |
| OTHER ASSETS | | | | |
| REGULATORY ASSETS | .00 | .00 | .00 | 100 % |
| OTHER DEFERRED DEBITS | 4,408.14CR | 1,000.00CR | 32,182.09 | |
| DEFERRED INCOME TAX ASSET | .00 | 80,058.00 | 84,695.00 | |
| | ----- | ----- | ----- | |
| TOTAL OTHER ASSETS | 4,408.14CR | 79,058.00 | 116,877.09 | -32% |
| | ----- | ----- | ----- | |
| TOTAL ASSETS | 446,514.61CR | 22,724,514.89 | 22,471,962.32 | +1.1% |
| | ===== | ===== | ===== | |

* * * LOCKHART POWER COMPANY * * *

BALANCE SHEET

For Period Ending: December 31, 2005

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| | Current Month Amount | Current Y-T-D Amount | Last Year Y-T-D Amount | |
|--|-------------------------|-------------------------|---------------------------|--------------|
| NET WORTH | | | | |
| COMMON STOCK | .00 | 300,000.00 | 300,000.00 | |
| RETAINED EARNINGS | | | | |
| BALANCE-BEGINNING OF YEAR | .00 | 17,466,734.18 | 17,715,999.77 | |
| NET INCOME - YEAR TO DATE | 115,650.19 | 1,890,664.52 | 2,075,734.41 | |
| DIVIDENDS DECLARED | .00 | 2,025,000.00CR | 2,325,000.00CR | |
| BALANCE-YEAR TO DATE | 115,650.19 | 17,332,398.70 | 17,466,734.18 | |
| | ----- | ----- | ----- | |
| TOTAL NET WORTH | 115,650.19 | 17,632,398.70 | 17,766,734.18 | - .8% |
| | ----- | ----- | ----- | |
| CURRENT AND ACCRUED LIABILITIES | | | | |
| ACCOUNTS PAYABLE | 53,058.27 | 1,173,580.34 | 1,040,118.21 | 12.8% |
| CUSTOMER DEPOSITS | 1,340.00 | 106,318.00 | 114,395.00 | |
| ACCRUED TAXES - PROPERTY, P/R, ETC. | 491,604.97CR | 40,547.41 | 30,971.81 | |
| ACCRUED STATE INCOME TAX | 10,000.00 | 131,477.88 | 118,678.88 | |
| ACCRUED FEDERAL INCOME TAX | 179,000.00CR | 274,884.33 | 37,623.34 | |
| DIVIDEND PAYABLE | .00 | .00 | .00 | |
| TAX COLLECTIONS PAYABLE | 8,504.37 | 14,623.73 | 13,867.30 | |
| MISC. CURRENT & ACCRUED LIABILITIES | 27,537.53 | 253,548.50 | 268,907.61 | |
| | ----- | ----- | ----- | |
| TOTAL CURRENT LIABILITIES | 570,164.80CR | 1,994,980.19 | 1,624,562.15 | 22.8% |
| | ----- | ----- | ----- | |
| LONG TERM LIABILITIES | | | | |
| OTHER DEFERRED CREDITS | .00 | .00 | .00 | 100 % |
| REGULATORY LIABILITIES | .00 | 43,403.00 | 50,651.00 | |
| DEFERRED INVESTMENT TAX CREDITS | .00 | 80,034.00 | 93,399.99 | |
| DEFERRED INCOME TAX LIABILITY | 8,000.00 | 2,973,699.00 | 2,936,615.00 | |
| | ----- | ----- | ----- | |
| TOTAL LONG TERM LIABILITIES | 8,000.00 | 3,097,136.00 | 3,080,665.99 | + .5% |
| | ----- | ----- | ----- | |
| TOTAL LIABILITIES | 446,514.61CR | 22,724,514.89 | 22,471,962.32 | +1.1% |
| | ===== | ===== | ===== | |

A2

*** LOCKHART POWER COMPANY ***
 PROFIT AND LOSS STATEMENT
 January 01, 2005 - December 31, 2005

| | Current Month Amount | Last Year Curr Month Amount | Last YR Month Amt | Current Y-T-D Amount | Last Year Y-T-D Amount | Current Y-T-D (-) Last Y-T-D Amount |
|--|-------------------------|--------------------------------|--------------------------|-------------------------|---------------------------|--|
| ELECTRIC REVENUE | | | | | | |
| RESIDENTIAL | 515,330.73CR | 438,308.57CR | 77,022.16CR17.5% | 5,858,312.29CR | 5,654,745.32CR | 203,566.97CR 3.6% |
| COMMERCIAL | 122,968.54CR | 105,086.38CR | 17,882.16CR17.0% | 1,452,084.15CR | 1,384,307.48CR | 67,776.67CR 4.9% |
| INDUSTRIAL | 448,082.90CR | 370,649.34CR | 77,433.56CR20.8% | 5,695,614.57CR | 5,564,720.02CR | 130,894.55CR 2.3% |
| OUTDOOR LIGHTING | 25,515.31CR | 25,234.12CR | 281.19CR 1.1% | 304,423.26CR | 299,338.95CR | 5,084.31CR 1.7% |
| STREET LIGHTING | 3,328.62CR | 3,315.88CR | 12.74CR .3% | 39,828.78CR | 39,790.56CR | 38.22CR .1% |
| TOTAL RETAIL SALES | 1,115,226.10CR | 942,594.29CR | 172,631.81CR18.3% | 13,350,263.05CR | 12,942,902.33CR | 407,360.72CR 3.1% |
| RESALE | 565,641.64CR | 511,940.28CR | 53,701.36CR10.4% | 6,737,664.89CR | 6,539,942.28CR | 197,722.61CR 3.0% |
| TOTAL ELECTRIC SALES | 1,680,867.74CR | 1,454,534.57CR | 226,333.17CR15.5% | 20,087,927.94CR | 19,482,844.61CR | 605,083.33CR 3.1% |
| RENT-ELEC. PROP./OTHER ELEC. REV. | 8,638.49CR | 8,783.23CR | 144.74 -1.6% | 31,810.94CR | 33,393.97CR | 1,583.03 -4.7% |
| FORFEITED DISCOUNTS | 297.24CR | 208.04CR | 89.20CR42.8% | 3,630.99CR | 3,535.92CR | 95.07CR 2.6% |
| TOTAL ELECTRIC REVENUE | 1,689,803.47CR | 1,463,525.84CR | 226,277.63CR15.4% | 20,123,369.87CR | 19,519,774.50CR | 603,595.37CR 3.0% |
| MEMO - P.P.A.-RETAIL-INCLUDED ABOVE | 62,696.04CR | 22,137.26 | 84,833.30CR-383% | 189,376.05CR | 28,914.94CR | 160,461.11CR 555% |
| ELECTRIC EXPENSES | | | | | | |
| HYDRAULIC POWER GENERATION | 65,477.74 | 60,499.37 | 4,978.37 8.2% | 650,164.10 | 647,813.75 | 2,350.35 .3% |
| PURCHASED POWER | 1,113,588.58 | 907,315.03 | 206,273.55 22.7% | 12,599,179.27 | 12,085,157.05 | 514,022.22 4.2% |
| TOTAL COST OF POWER PROVIDED | 1,179,066.32 | 967,814.40 | 211,251.92 21.8% | 13,249,343.37 | 12,732,970.80 | 516,372.57 4.0% |
| TRANSMISSION | 12,586.18 | 13,706.06 | 1,119.88CR-8.1% | 169,494.85 | 128,393.23 | 41,101.62 32.0% |
| DISTRIBUTION | 45,638.52 | 42,099.30 | 3,539.22 8.4% | 555,446.96 | 476,756.39 | 78,690.57 16.5% |
| CUSTOMER ACCOUNTING | 25,706.08 | 21,554.65 | 4,151.43 19.2% | 314,381.55 | 330,748.53 | 16,366.98CR-4.9% |
| GENERAL & ADMINISTRATIVE | 87,750.82 | 84,035.85 | 3,714.97 4.4% | 1,059,594.11 | 993,723.65 | 65,870.46 6.6% |
| DEPRECIATION | 80,857.85 | 78,866.22 | 1,991.63 2.5% | 959,529.24 | 918,023.50 | 41,505.74 4.5% |
| AMORTIZATION OF LICENSE | 2,063.88 | 2,063.88 | .00 | 24,766.56 | 24,766.56 | .00 |
| GENERAL TAXES | 74,546.61 | 72,819.58 | 1,727.03 2.3% | 861,722.47 | 841,037.13 | 20,705.34 2.4% |
| TOTAL ELECTRIC EXPENSE | 1,508,216.26 | 1,282,959.94 | 225,256.32 17.5% | 17,194,279.11 | 16,446,399.79 | 747,879.32 4.5% |
| ELECTRIC OPERATING INCOME | 181,587.21CR | 180,565.90CR | 1,021.31CR .5% | 2,929,090.76CR | 3,073,374.71CR | 144,283.95 -4.6% |
| OTHER INCOME | | | | | | |
| INTEREST | 5,723.82CR | 2,201.40CR | 3,522.42CR 160% | 60,542.07CR | 20,932.13CR | 39,609.94CR 189% |
| MISCELLANEOUS | 1,070.94CR | 732.16CR | 338.78CR46.2% | 44,700.76CR | 216,406.02CR | 171,705.26 -79% |
| TOTAL OTHER INCOME | 6,794.76CR | 2,933.56CR | 3,861.20CR 132% | 105,242.83CR | 237,338.15CR | 132,095.32 -56% |
| MISCELLANEOUS INCOME DEDUCTIONS | 3,402.75 | 1,334.51 | 2,068.24 155% | 34,579.76 | 14,785.96 | 19,793.80 134% |
| INTEREST EXPENSE | 329.03 | 675.07 | 346.04CR -51% | 4,089.31 | 4,192.49 | 103.18CR-2.4% |
| NET INCOME BEFORE TAX | 184,650.19CR | 181,489.88CR | 3,160.31CR 1.7% | 2,995,664.52CR | 3,291,734.41CR | 296,069.89 -8.9% |
| INCOME TAXES | | | | | | |
| CURRENT STATE | 10,000.00 | 10,000.00 | .00 | 143,000.00 | 123,000.00 | 20,000.00 16.2% |
| CURRENT FEDERAL | 51,000.00 | 50,000.00 | 1,000.00 2.0% | 922,365.99 | 782,365.99 | 140,000.00 17.8% |
| DEFERRED STATE | 1,000.00 | 1,000.00 | .00 | 7,000.00 | 43,000.00 | 36,000.00CR-84% |
| DEFERRED FEDERAL | 7,000.00 | 7,000.00 | .00 | 46,000.00 | 281,000.00 | 235,000.00CR-84% |
| AMORTIZATION OF ITC | .00 | .00 | .00 | 13,365.99CR | 13,365.99CR | .00 |
| TOTAL INCOME TAX | 69,000.00 | 68,000.00 | 1,000.00 1.4% | 1,105,000.00 | 1,216,000.00 | 111,000.00CR-9.1% |
| NET INCOME AFTER TAX | 115,650.19CR | 113,489.88CR | 2,160.31CR 1.9% | 1,890,664.52CR | 2,075,734.41CR | 185,069.89 -8.9% |

A3-1

Lockhart Power Co.
Cost of Service Study - Year Ended December 31, 2005 - Proforma
Docket No. 2007-33-E

Operating Experience, Rate Base, and Rate of Return

| | (1) Total Electric Per Books | (2) Retail | (3) Pro Forma Adjustments System | (4) Pro Forma Adjustments Retail | (5) Retail as Adjusted | (6) Effect of Proposed Increase | (7) Retail after Increase |
|--------------------------------|---------------------------------------|---------------|---|---|---------------------------------|--|------------------------------------|
| Operating Revenue | | | | | | | |
| 1 Rate Revenue | 20,087,928 | 13,350,263 | (725,088) | (434,910) (1) | 12,915,353 | 1,027,632 | 13,942,985 |
| 2 Other Revenue | 35,442 | 34,659 | 0 | 0 | 34,659 | 0 | 34,659 |
| 3 Total Operating Revenue | 20,123,370 | 13,384,922 | (725,088) | (434,910) | 12,950,012 | 1,027,632 | 13,977,644 |
| Operating Expenses | | | | | | | |
| 4 Purchased Power | 12,599,179 | 7,526,483 | (730,332) | (431,932) (2) | 7,094,551 | 0 | 7,094,551 |
| 5 Production | 650,164 | 387,801 | 212,875 | 127,692 (3) | 515,493 | 0 | 515,493 |
| 6 Transmission | 169,495 | 99,989 | 5,209 | 3,073 (4) | 103,062 | 0 | 103,062 |
| 7 Distribution | 555,447 | 547,134 | 14,922 | 14,699 (4) | 561,833 | 0 | 561,833 |
| 8 Customer Accounting | 314,382 | 304,338 | 9,238 | 8,943 (4) | 313,281 | 0 | 313,281 |
| 9 Administrative & General | 1,038,089 | 845,444 | 68,880 | 56,408 (5) | 901,852 | 0 | 901,852 |
| 10 Regulatory Expense | 21,505 | 16,505 | 3,095 | 3,095 (6) | 19,600 | 0 | 19,600 |
| 11 Depreciation | 959,529 | 800,542 | 129,365 | 89,076 (7) | 889,618 | 0 | 889,618 |
| 12 Amort. FERC License Exp. | 24,767 | 14,773 | 0 | 3 (14) | 14,776 | 0 | 14,776 |
| 13 Other Taxes | 861,722 | 666,634 | 79,934 | 58,074 (8) | 724,708 | 3,497 | 728,205 |
| 14 State Income Taxes | 146,455 | 108,764 | (25,914) | (18,202) (9) | 90,562 | 51,207 | 141,769 |
| 15 Federal Income Taxes | 946,096 | 702,615 | (167,402) | (117,585) (10) | 585,030 | 330,795 | 915,825 |
| 16 Amort. Inv. Tax Credit | (13,366) | (10,643) | 0 | 126 (14) | (10,517) | 0 | (10,517) |
| 17 Total Operating Expenses | 18,273,464 | 12,010,379 | (400,130) | (206,529) | 11,803,850 | 385,499 | 12,189,348 |
| Income for Return | | | | | | | |
| 18 Net Operating Income | 1,849,906 | 1,374,543 | (26,210) | (228,381) | 1,146,163 | 642,133 | 1,788,296 |
| 19 plus Customer Growth | 4,051 | 3,010 | (712) | (500) (11) | 2,510 | 1,406 | 3,916 |
| 20 less Int. on Cust. Dep. | 4,089 | 4,089 | 0 | 0 | 4,089 | 0 | 4,089 |
| 21 Total Income for Return | 1,849,868 | 1,373,464 | (26,922) | (228,881) | 1,144,584 | 643,540 | 1,788,123 |
| Original Cost Rate Base | | | | | | | |
| 22 Plant in Service | 35,419,669 | 28,203,370 | 2,942,750 | 1,981,884 (12) | 30,185,254 | 0 | 30,185,254 |
| 23 Accumulated Depreciation | 16,839,368 | 13,541,463 | 780,501 | 631,428 (7) | 14,172,891 | 0 | 14,172,891 |
| 24 Total Net plant | 18,580,301 | 14,661,907 | 2,162,249 | 1,350,456 | 16,012,363 | 0 | 16,012,363 |
| 25 Additions | | | | | | | |
| 26 Constr. Work in Prog. | 561,281 | 412,113 | (6,724) | 96,724 (13) | 508,837 | 0 | 508,837 |
| 27 Materials & Supplies | 285,734 | 201,132 | 0 | (29) (14) | 201,103 | 0 | 201,103 |
| 28 Cash Working Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 Deductions | | | | | | | |
| 30 Accum. Def. Inc. Taxes | 2,937,044 | 2,338,659 | 0 | (27,663) (14) | 2,310,997 | 0 | 2,310,997 |
| 31 Customer Deposits | 106,318 | 106,318 | 0 | 0 | 106,318 | 0 | 106,318 |
| 2 Total Year End Rate Base | 16,383,954 | 12,830,175 | 2,155,525 | 1,474,814 | 14,304,989 | 0 | 14,304,989 |
| 33 Rate of Return | 11.29% | 10.70% | | | 8.00% | | 12.50% |

Lockhart Power Company

Docket No. 2007-33-E

Proforma Adjustments

(1) Rate Revenue

The proforma decrease in purchased power cost resulting from the Pacolet acquisition and the new diesel peaking generation are reflected in revenues due to the Purchased Power Adjustment. The adjustment was allocated to rate classes based on kilowatt-hour sales.

| | |
|--------------------|---|
| \$38,004 | PPA cost increase due to demand payments to Pacolet QF ** |
| (\$138,020) | PPA cost decrease due to Pacolet hydro acquisition ** |
| (\$630,316) | PPA cost decrease due to new diesel generation ** |
| \$5,244 | PPA cost not recovered from lighting rates * |
| <u>(\$725,088)</u> | Total Adjustment |

(2) Purchased Power

Purchased power costs were adjusted to reflect the demand payments to the Pacolet QF, the Pacolet acquisition, and the new diesel peaking generation.

| | |
|--------------------|---|
| \$38,004 | Power cost increase due to demand payments to Pacolet QF ** |
| (\$138,020) | Power cost decrease due to Pacolet hydro acquisition ** |
| (\$630,316) | Power cost decrease due to new diesel generation ** |
| <u>(\$730,332)</u> | Total Adjustment |

(3) Production Expense

Production Expense was adjusted to reflect the Pacolet hydro operating expense, diesel generator operating expense and the production portion of the \$88,070 wage adjustment.

| | |
|------------------|--|
| \$51,931 | Pacolet Hydro operating expense ** |
| \$130,057 | Diesel generator operating expense ** |
| \$30,887 | Production portion of Wage Adjustment * ** |
| <u>\$212,875</u> | Total Adjustment |

(4) Wage Increase Annualization

Adjustments were made to Production, Transmission, Distribution, Administrative and General, and Customer Accounting expense proportional to labor ratios, as shown on the Proforma Adjustment Worksheet. The total adjustment is \$88,070. * **

(5) Administrative and General Expense

Adjustments were made to Administrative and General Expense as follows.

| | |
|-----------------|---|
| \$27,813 | Wage and Benefits adjustment * ** |
| \$28,685 | Management Transition Expense ** |
| \$5,000 | Pacolet acquisition legal cost amortization ** |
| \$7,382 | Portion of Fringe Benefits on Wage Adjustments * ** |
| <u>\$68,880</u> | Total Adjustment |

* see Proforma Adjustment Worksheet for allocation details.

** see proforma adjustment explanation sheets for additional information.

Lockhart Power Company

Docket No. 2007-33-E

Proforma Adjustments

(6) Regulatory Expense

Professional services cost of \$58,800 for retail rate case amortized over 3 years less the amount in historical test year. **

| | |
|-------------------|----------------------------------|
| \$19,600 | Amortize for 3 years -- \$58,800 |
| <u>(\$16,505)</u> | Amount in 2005 Test Year |
| \$3,095 | Adjustment ** |

(7) Depreciation Expense and Accumulated Depreciation

An adjustment of \$129,365 ** is made to depreciation and amortization expenses to reflect utility plant balances as of 9/30/2006 including the Pacolet Hydro and diesel peaking plant additions. Accumulated depreciation is adjusted accordingly by \$780,501 **. The computation of these amounts is shown on the Proforma Depreciation & Amortization worksheet. The amount of these adjustments allocated to retail, and to each class of service, depends on the different functionalization and allocation ratios of the individual elements: Production, Transmission, Distribution, and General. **

(8) Other Taxes

Adjustments to Other Taxes were made as follows. The revenue tax adjustment is computed by applying the revenue adjustment of (\$729,302) to the revenue tax rate of \$68,470 / \$20,123,370 from the Historical Cost Study.

| | |
|------------------|---|
| \$75,565 | Property Tax Annualization ** |
| \$6,836 | Payroll Tax Portion of Wage Adjustment * ** |
| <u>(\$2,467)</u> | Revenue Tax adjustment due to adjusted revenues |
| \$79,934 | Total Adjustment |

(9) State Income Taxes

Adjust state income taxes for change in taxable income due to other proforma adjustments. Deductible expenses are total expenses less income taxes and AITC. The retail adjustment is verified below.

| | |
|-------------------|---|
| (\$434,910) | Adjustment to Revenue |
| <u>(\$70,868)</u> | less Adjustment to Deductible Expenses |
| (\$364,042) | Adjustment to taxable income |
| 0.05 | State Tax Rate |
| <u>(\$18,202)</u> | Adjustment to State Income Tax (retail) |

* see Proforma Adjustment Worksheet for allocation details.

** see proforma adjustment explanation sheets for additional information.

Lockhart Power Company

Docket No. 2007-33-E Proforma Adjustments

(10) Federal Income Taxes

Adjust federal income taxes for change in taxable income due to other proforma adjustments. Deductible expenses are total expenses less federal income taxes and AITC. The retail adjustment is verified below.

| | |
|-------------|---|
| (\$434,910) | Adjustment to Taxable Income |
| (\$89,070) | less State Tax Adjustment |
| (\$345,840) | Adjustment to Federal Taxable Income |
| 0.34 | Federal Tax Rate |
| (\$117,586) | Adjustment to Federal Income Tax (retail) |

(11) Customer Growth

Adjust Customer Growth for change in Net Operating Income. The retail adjustment is:

| | |
|-------------|------------------------|
| (\$228,381) | Change in NOI Retail |
| 0.00219 | Customer Growth Factor |
| (\$500) | Adjustment |

(12) Plant in Service

Adjust Electric Plant for the Pacolet Hydro Acquisition, the diesel peaking plant addition, and for normal additions through 9/30/2006. The amount of these adjustments allocated to retail, and to each class of service, depends on the different functionalization and allocation ratios of the individual elements: Production, Transmission, Distribution, and General. **

| | |
|-------------|--------------------------------------|
| \$350,000 | Pacolet Hydro Acquisition ** |
| \$1,624,081 | Diesel Peaking Plant Addition ** |
| \$968,669 | Normal Activity through 9/30/2006 ** |
| \$2,942,750 | Total Adjustment |

(13) Construction Work in Progress

Adjust CWIP to reflect balances as of 9/30/06 and remove diesel plant amount included in the plant proforma adjustment. The capital portion of the wage adjustment is applied to CWIP. The retail allocated adjustment is larger due to an increase in the distribution related balance.

| | |
|-------------|--|
| \$105,446 | Adjustment to 9/30/2006 balance ** |
| (\$124,297) | Remove diesel plant ** |
| \$12,127 | Capital portion of Wage Increase Adjustment * ** |
| (\$6,724) | Total Adjustment |

(14) Retail Adjustments due to Changes in Functionalization and Allocation.

Some proforma adjustments result in changes in functionalization ratios and/or allocation factors. For example, a proforma adjustment to Production Plant will affect all accounts functionalized based on plant balances that include Production Plant. Therefore, a cost allocated to retail may reflect a proforma adjustment even though no direct adjustment was made to the cost account.

* see Proforma Adjustment Worksheet for allocation details.

** see proforma adjustment explanation sheets for additional information.

Lockhart Power Co.

Cost of Service Study - Year Ended December 31, 2005 - Proforma
Docket No. 2007-33-E

Proforma Adjustment Worksheet

Allocate Labor Expense to Production, Transmission, Distribution, A&G, and Customer Acctg.

| | (1) | (2) | (3) |
|------------------------|-----------|--------|--------|
| | Labor | Ratio | Adjust |
| 1 Production | 473,973 | 0.3507 | 30,887 |
| 2 Transmission | 79,932 | 0.0591 | 5,209 |
| 3 Distribution | 228,985 | 0.1694 | 14,922 |
| 4 Administrative & Gen | 426,803 | 0.3158 | 27,813 |
| 5 Customer Accounting | 141,770 | 0.1049 | 9,239 |
| 6 Total Labor | 1,351,463 | 1.0000 | 88,070 |

Allocate Distribution Expense Adjustment Proportionally

| | (1) | (2) | (3) | (4) |
|-------------------------------|------------|--------|--------|----------|
| Distribution Expense | Historical | Ratio | Adjust | Proforma |
| 7 Substations | 35,361 | 0.0637 | 950 | 36,311 |
| 8 Lines | 283,001 | 0.5095 | 7,603 | 290,604 |
| 9 Transformers | 12,195 | 0.0220 | 328 | 12,523 |
| 10 Services | 40,339 | 0.0726 | 1,084 | 41,423 |
| 11 Meters | 32,176 | 0.0579 | 864 | 33,040 |
| 12 Lighting | 48,657 | 0.0876 | 1,307 | 49,964 |
| 13 Subtotal | 451,729 | | | 463,865 |
| 14 Supv. Engrng. & Other | 103,718 | 0.1867 | 2,786 | 106,504 |
| 15 Distribution Expense Total | 555,447 | 1.0000 | 14,922 | 570,369 |

Allocate Labor Capital Adjustment to CWIP

| | (1) | (2) | (3) |
|-----------------|------------|--------|--------|
| | Historical | Ratio | Adjust |
| 16 Production | 1,903 | 0.0034 | 41 |
| 17 Transmission | 304,513 | 0.5425 | 6,579 |
| 18 Distribution | 156,712 | 0.2792 | 3,386 |
| 19 General | 98,153 | 0.1749 | 2,121 |
| 20 Intangible | 0 | 0.0000 | 0 |
| 21 Total CWIP | 561,281 | 1.0000 | 12,127 |

Allocate Fringe Benefits Adjustment to A&G and Payroll Taxes

| | (1) | (2) |
|-------------------------------------|--------|--------|
| | Ratio | Adjust |
| 22 Administrative & General | 0.5192 | 7,382 |
| 23 Payroll Taxes | 0.4808 | 6,836 |
| 24 Total Fringe Benefits Adjustment | 1.0000 | 14,218 |

Adjust Revenues for PPA Effect of Proforma Adjustments on Purchased Power Expense Allocate to PPA classes Based on Energy Sales

| | (1) | (2) | (3) | (4) |
|----------------|-------------|--------|------------|-----------|
| | kWh Sales | Ratio | Allocation | Revenue |
| 25 Industrial | 123,259,820 | 0.3466 | (253,167) | (253,167) |
| 26 Residential | 70,985,302 | 0.1996 | (145,799) | (145,799) |
| 27 Commercial | 17,500,390 | 0.0492 | (35,944) | (35,944) |
| 28 Lighting | 2,553,344 | 0.0072 | (5,244) | 0 |
| 29 Resale | 141,279,640 | 0.3973 | (290,178) | (290,178) |
| 30 Total | 355,578,496 | 1.0000 | (730,332) | (725,088) |

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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
12 MONTHS ENDED DECEMBER 31, 2005
Docket No. 2007-33-E

Proforma - Electric Plant

For normal expenditures, Diesel peaking addition, and Pacolet Hydro acquisition

| LINE NO. | | | | |
|----------|---------------------------------------|------------|-----------|------------|
| 1 | | Plant | | Total |
| 2 | | in | | Electric |
| 3 | | Service | CWIP | Plant |
| 4 | | | | |
| 5 | Balance: 12/31/2005 | 35,419,669 | 561,281 | 35,980,950 |
| 6 | | | | |
| 7 | Net change (normal activity) through: | | | |
| 8 | 9/30/2006 | 968,669 | 105,446 | 1,074,115 |
| 9 | | | | |
| 10 | | | | |
| 11 | Diesel Peaking Plant | | | |
| 12 | Commitments/Expenditures | 1,624,081 | | 1,624,081 |
| 13 | | | | |
| 14 | Less: Diesel Peaking | | | |
| 15 | Plant CWIP included above | | (124,297) | (124,297) |
| 16 | | | | |
| 17 | Acquisition of | | | |
| 18 | Pacolet Hydro Plant | 350,000 | | 350,000 |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | | | | |
| 23 | Proforma Balances | 38,362,419 | 542,430 | 38,904,849 |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | | | | |
| 30 | | | | |

**LOCKHART POWER COMPANY
RETAIL COST OF SERVICE STUDY
FOR TEST YEAR ENDED DECEMBER 31, 2005
Docket No. 2007-33-E**

Proforma Depreciation & Amortization

| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) |
|-------|--|------------------------|--|---------------------|-------------------|-----------------------|---------------------|--------------------------|-----------------------------------|---|
| Acct. | Description | Proforma Plant Balance | Accumulated Depreciation Per Books 9/30/06 | Unrecovered Balance | Depreciation Rate | Proforma Depreciation | Historical Depr Exp | Proforma Adjust Depr Exp | Proforma Accumulated Depreciation | Allocated Proforma Accumulated Depreciation |
| 1 | 301.000 Organization Expense | 403 | 0 | 403 | 0.00% | 0 | | | | |
| 2 | 302.000 Franchise & Consents | 990,667 | 152,223 | 838,444 | 2.50% | 24,767 | | | | |
| 3 | Intangible | 991,070 | 152,223 | 838,847 | | 24,767 | 24,767 | 0 | 152,223 | 152,223 |
| 4 | 330.000 Land and Land Rights | 314,705 | 0 | 314,705 | 0.00% | 0 | | | | |
| 5 | 331.000 Structures and Improvements | 233,574 | 151,784 | 81,790 | 2.00% | 4,671 | | | | |
| 6 | 332.000 Reservoirs and Dams | 3,767,368 | 2,135,274 | 1,632,094 | 1.57% | 59,148 | | | | |
| 7 | 333.000 Waterwheels and Turbines | 6,086,580 | 2,132,309 | 3,954,271 | 2.20% | 133,905 | | | | |
| 8 | 334.000 Accessory Electric Equipment | 691,369 | 262,005 | 429,364 | 3.77% | 26,065 | | | | |
| 9 | 335.000 Misc. Power Plant Equipment | 55,858 | 31,030 | 24,828 | 2.97% | 1,659 | | | | |
| 10 | 336.000 Roads and Railroads | 68,205 | 10,202 | 58,003 | 2.50% | 1,705 | | | | |
| 11 | Hydro Production | 11,217,659 | 4,722,604 | 6,495,055 | | 227,163 | 220,646 | 6,507 | 4,729,111 | 4,727,411 |
| 12 | 340.000 Land & Land Rights | 20,340 | 0 | 20,340 | 0.00% | 0 | | | | |
| 13 | 341.000 Structures & Improvements | 39,058 | 0 | 39,058 | 5.00% | 1,953 | | | | |
| 14 | 342.000 Fuel Holders, Producers & Acces. | 32,000 | 0 | 32,000 | 5.00% | 1,600 | | | | |
| 15 | 344.000 Generators | 1,355,283 | 0 | 1,355,283 | 5.00% | 67,764 | | | | |
| 16 | 345.000 Accessory Electric Equipment | 90,925 | 0 | 90,925 | 5.00% | 4,546 | | | | |
| 17 | Other Production | 1,537,806 | 0 | 1,537,806 | | 75,863 | 0 | 75,863 | 75,863 | 75,836 |
| 18 | 350.000 Land & Land Rights | 51,657 | 0 | 51,657 | 0.00% | 0 | | | | |
| 19 | 352.000 Structures and Improvements | 223,549 | 118,828 | 104,721 | 2.75% | 6,148 | | | | |
| 20 | 353.000 Station Equipment | 2,214,061 | 1,239,266 | 974,795 | 2.75% | 60,887 | | | | |
| 21 | 355.000 Poles and Fixtures | 686,968 | 496,029 | 190,939 | 3.16% | 21,708 | | | | |
| 22 | 356.000 Overhead Cond. and Devices | 859,163 | 488,131 | 371,032 | 2.20% | 18,902 | | | | |
| 23 | Transmission | 4,035,398 | 2,342,254 | 1,693,144 | | 107,645 | 94,518 | 13,127 | 2,366,381 | 2,364,535 |
| 24 | 360.000 Land & Land Rights | 25,511 | 0 | 25,511 | 0.00% | 0 | | | | |
| 25 | 361.000 Structures and Improvements | 266,757 | 121,850 | 144,907 | 2.88% | 7,683 | | | | |
| 26 | 362.000 Station Equipment | 3,041,886 | 1,581,193 | 1,460,693 | 2.75% | 83,652 | | | | |
| 27 | 364.000 Poles, Towers and Fixtures | 4,936,698 | 2,018,570 | 2,918,128 | 3.42% | 168,835 | | | | |
| 28 | 365.000 Overhead Cond. And Devices | 3,073,764 | 1,934,212 | 1,139,552 | 3.25% | 99,897 | | | | |
| 29 | 367.000 Underground Cond. And Devices | 129,720 | 79,764 | 49,956 | 3.00% | 3,892 | | | | |
| 30 | 368.000 Line Transformers | 2,672,488 | 1,422,964 | 1,249,524 | 2.76% | 73,761 | | | | |
| 31 | 369.000 Service - Distribution | 1,758,481 | 1,120,761 | 637,720 | 4.83% | 84,935 | | | | |
| 32 | 370.000 Meters - Distribution | 1,477,179 | 362,447 | 1,114,732 | 2.97% | 43,872 | | | | |
| 33 | 373.000 Street Lighting - Distribution | 1,294,101 | 625,661 | 668,440 | 3.50% | 45,294 | | | | |
| 34 | Distribution | 18,676,585 | 9,267,422 | 9,409,163 | | 611,821 | 582,730 | 29,091 | 9,296,513 | 9,293,172 |
| 35 | 390.000 Structure and Improvements | 389,159 | 197,182 | 191,977 | 1.62% | 6,304 | | | | |
| 36 | 391.000 Office Furniture and Equipment | 440,257 | 287,897 | 152,360 | 10.00% | 44,026 | | | | |
| 37 | 392.000 Transportation Equipment | 837,801 | 392,596 | 445,205 | 9.50% | 79,591 | | | | |
| 38 | 394.000 Tools, Shop and Garage | 180,831 | 92,522 | 68,309 | 4.00% | 6,433 | | | | |
| 39 | 395.000 Laboratory Equipment | 12,315 | 11,651 | 664 | 5.56% | 664 | | | | |
| 40 | 397.000 Communication Equipment | 63,738 | 30,432 | 33,306 | 7.47% | 4,761 | | | | |
| 41 | General | 1,904,101 | 1,012,280 | 891,821 | | 141,779 | 137,002 | 4,777 | 1,017,057 | 1,016,692 |
| 42 | 108.500 Cost of Removal/Salvage | 0 | (6,279) | 6,279 | | 0 | 0 | 0 | (6,279) | |
| 43 | Grand Total | 38,362,419 | 17,490,504 | 20,871,915 | | 1,189,028 | 1,059,663 | 129,365 | 17,619,869 | 17,619,869 |
| 44 | PROFORMA BALANCE | | | | | 1,189,028 | | | | 17,619,869 |
| 45 | PER BOOKS 12/31/2005 | | | | | 1,059,663 | | | | 16,839,368 |
| 46 | PROFORMA ADJUSTMENT: | | | | | 129,365 | | | | 780,501 |

Notes:

Column J = Column D plus Column I

Column K allocates proportionally the Cost of Removal to all categories except Intangible

LOCKHART POWER COMPANY
RETAIL COST OF SERVICE STUDY
FOR TEST YEAR ENDED DECEMBER 31, 2005
Docket No. 2007-33-E

Proforma Property-related Tax Adjustment

| | (A) | (B) | (C) | (D) | (E) |
|----|---|----------------------------------|---------------------------------|-------------------------|------------------------------|
| | Description | Per Books As of 12/31/2005 | Per Books As of 9/30/2006 | Proforma Adjustments | Proforma Taxable Plant |
| 1 | Total Plant in Service | 35,419,669 | 36,388,338 | 1,974,081 | 38,362,419 |
| 2 | Less: Intangible Plant | (991,070) | (991,070) | | (991,070) |
| 3 | Taxable Plant in Service | 34,428,599 | 35,397,268 | 1,974,081 | 37,371,349 |
| 4 | Total Accumulated Depreciation & Amortization | 16,839,368 | 17,490,504 | 129,365 | 17,619,869 |
| 5 | Less: Accum. Amort. of Intangible Plant | (133,649) | (152,223) | | (152,223) |
| 6 | Taxable Accum. Deprn. & Amortization | 16,705,719 | 17,338,281 | 129,365 | 17,467,646 |
| 7 | Net Taxable Plant in Service | 17,722,880 | | | 19,903,703 |
| 8 | Add: Materials & Supplies Inventory | 285,734 | | | 273,322 |
| 9 | Gross Includable Cost | 18,008,614 | | | 20,177,025 |
| 10 | Adjusted Test Year Tax Base | | | | 20,177,025 |
| 11 | Assessment Rate (Latest Actual Rate Applied) | | | | 0.0989 |
| 12 | Assessed Value | | | | 1,995,508 |
| 13 | Latest Effective Tax Rate (See Calculation Below) | | | | 0.314003 |
| 14 | Proforma Property-related Taxes | | | | 626,595 |
| 15 | Per Books Property Taxes | | | | 536,862 |
| 16 | Per Books Advalorem Taxes | | | | 14,168 |
| 17 | Proforma Adjustment for Property-related Taxes | | | | 75,565 |
| 18 | Calculation of Latest Effective Tax Rate | | | | |
| 19 | Latest Annual Property Tax Billing | 544,365 | | | |
| 20 | Latest Annual Advalorem Tax Billing | 14,872 | | | |
| 21 | Total Property-related Tax Billing (Latest) | 559,237 | = | | 0.314003 |
| 22 | Total Assessed Value (Latest) | 1,780,990 | | | |

Note: Column D above adjusts Plant and Accumulated Depreciation for known changes at end of Test Year



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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
12 MONTHS ENDED DECEMBER 31, 2005
Docket No. 2007-33-E

Proforma - Pacolet Hydro Plant Operating Expense

Out-of-pocket costs of operation & maintenance of Pacolet Hydro Facility.

LINE NO.

| | | |
|-----------|---|---------------|
| 1 | | Cost |
| 2 | | |
| 3 | <u>Historical Cost</u> | |
| 4 | 2003 | 60,622 |
| 5 | 2004 | 42,445 |
| 6 | 2005 | 52,726 |
| 7 | | |
| 8 | 3-Year Average | 51,931 |
| 9 | | |
| 10 | Amortization of legal cost of transferring | |
| 11 | <u>Pacolet facility to Lockhart Power Company</u> | |
| 12 | | |
| 13 | Transfer Cost: | 15,000 |
| 14 | Amortization period: | 3 years |
| 15 | Cost per year | 5,000 |
| 16 | | |
| 17 | | |
| 18 | Total Annual Operation & Maintenance Expense | 56,931 |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | Note: Depreciation & property-related taxes costs are not included above, but are | |
| 26 | included elsewhere in proforma adjustments related to those categories of costs. | |
| 27 | | |
| 28 | | |
| 29 | | |
| 30 | | |



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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
12 MONTHS ENDED DECEMBER 31, 2005
Docket No. 2007-33-E

Proforma - Diesel Generator Operating Expense

Out-of-pocket incremental expense of operating Diesel generation equipment

LINE NO.

| | | |
|----|------------------------|-------------|
| 1 | | <u>Cost</u> |
| 2 | | |
| 3 | Fuel | 116,557 |
| 4 | | |
| 5 | Preventive Maintenance | 10,500 |
| 6 | | |
| 7 | Insurance (estimated) | 3,000 |
| 8 | | |
| 9 | | |
| 10 | Total Cost | 130,057 |

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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
12 MONTHS ENDED DECEMBER 31, 2005
Docket No. 2007-33-E

Proforma - Purchased Power Expense

Three (3) changes to this expense will occur as summarized:

LINE NO.

| | | |
|----|--|------------|
| 1 | (1) Change in Purchased Power Agreement with Qualifying Facility (Effective January 1, 2006) | |
| 2 | | |
| 3 | Increase in expense | 38,004 |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | (2) Decrease due to Elimination of Pacolet Hydro Purchases via Plant Acquisition | (138,020) |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | (3) Decrease due to installation of new Diesel Peak Saving Facility | (630,316) |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | Net overall decrease in Purchased Power Expense | (730,332) |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | Summary: | |
| 24 | Purchased Power Expense per test year - 2005 | 12,599,179 |
| 25 | Proforma net reduction of Purchased Power Expense | (730,332) |
| 26 | Adjusted Purchased Power Expense | 11,868,847 |
| 27 | | |



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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
12 MONTHS ENDED DECEMBER 31, 2005
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Proforma - Wage Increase Annualization

(To adjust test year for two wage adjustments that have been made.)

LINE NO.

1 A wage increase of 7.8% became effective on all hourly employee earnings on or after November 27, 2005.

2 The last increase prior to this had occurred effective May 18, 2003.

3 A wage increase of 4.0% became effective on all hourly employee earnings on or after December 3, 2006.

4 The test year (2005) is therefore adjusted to reflect the effect of these two increases.

5 **First Wage Adjustment**

6 Wages Cost/Hr. after first increase \$516.60

7 Wages Cost/Hr. before first increase \$479.32

8 Increase in Wages Cost /Hr. \$37.28

9 Weeks in Test Year to Adjust 47

10 Impact of first increase =

11 47 Weeks X 40 Hrs./Week X \$37.28 = \$70,086

12 Percentage of Hourly Wages Expensed 77.84%

13 Percentage of Hourly Wages Capitalized (22.16% X 2/12 of Year - note below) = 3.69%

14 (10 months of increase were already included in CWIP as of 9/30/2006)

15 Proforma Expense Adjustment (Line 11 X Line 12) **\$54,555**

16 Proforma Capital Adjustment (Line 11 X Line 13) **\$2,586**

17 **Second Wage Adjustment**

18 Wages Cost/Hr. after second increase \$538.91

19 Wages Cost/Hr. before second increase \$518.21

20 Increase in Wages Cost /Hr. \$20.70

21 Weeks in Test Year to Adjust 52

22 Impact of second increase =

23 52 Weeks X 40 Hrs./Week X \$20.70 = \$43,056

24 Percentage of Hourly Wages Expensed 77.84%

25 Percentage of Hourly Wages Capitalized 22.16%

26 Proforma Expense Adjustment (Line 23 X Line 24) **\$33,515**

27 Proforma Capital Adjustment (Line 23 X Line 25) **\$9,541**

28 **Summary of Both Wage Adjustments**

29 Total Proforma Expense Adjustment (Line 15 + Line 26) **\$88,070**

30 Total Proforma Capital Adjustment (Line 16 + Line 27) **\$12,127**



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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
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Proforma - Fringe Benefits on Annualized Wage Adjustments

LINE NO.

| | | |
|---|----------------------------|-----------------|
| 1 | Wage Adjustments | |
| 2 | Expense | 88,070 |
| 3 | Capital | 12,127 |
| 4 | | |
| 5 | Total Wage Adjustments | 100,197 |
| 6 | | |
| 7 | Fringe Benefits Rate | 14.19% |
| 8 | | |
| 9 | Additional Fringe Benefits | \$14,218 |

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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
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Proforma - Rate Case Expense

Cost incurred in connection with 2006 Retail Rate Case

LINE NO.

| | | |
|----|---|-----------------|
| 1 | | Cost |
| 2 | | |
| 3 | P. Moul & Associates | 24,000 |
| 4 | | |
| 5 | Parmelee & Associates | 19,800 |
| 6 | | |
| 7 | McNair Law Firm P.A. | 15,000 |
| 8 | | |
| 9 | | |
| 10 | Total Cost | 58,800 |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | Amortization Period - 3 Years | |
| 16 | | |
| 17 | 58,800 | = 19,600 / Year |
| 18 | 3 | |
| 19 | | |
| 20 | Less: Prior rate case expense amortization included in test year 2005 | (16,505) |
| 21 | | |
| 22 | Net Additional Rate Case Expense | 3,095 |
| 23 | | |
| 24 | | |
| 25 | | |
| 26 | | |
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| 30 | | |



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RETAIL COST OF SERVICE STUDY
TEST YEAR PERIOD:
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Proforma - Management Transition Expense

Cost of recruiting and relocating replacement for retired General Manager of Lockhart Power Company

LINE NO.

| | | | |
|----|---------------------------------|--------|-----------------|
| 1 | | | <u>Cost</u> |
| 2 | | | |
| 3 | Personnel Recruiting Consultant | | 38,250 |
| 4 | | | |
| 5 | Candidate Relocation/Travel | | 38,182 |
| 6 | | | |
| 7 | Technical Consultant | | 8,580 |
| 8 | | | |
| 9 | Interviewing | | 1,044 |
| 10 | | | |
| 11 | | | |
| 12 | Total Cost | | 86,056 |
| 13 | | | |
| 14 | | | |
| 15 | Amortization Period - 3 Years | | |
| 16 | | | |
| 17 | | 86,056 | = 28,685 / Year |
| 18 | | 3 | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
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A4

Lockhart Power Co.

Reported Revenues vs. Revenues at Equal Rate of Return vs. Revenues for Proposed Rates

Docket No. 2007-33-E

| Description | | (1) Total Retail | (2) Industrial Service | (3) Residential Service | (4) Commercial Service | (5) Street Lighting | (6) Outdoor Lighting |
|--|------|------------------------|------------------------------|-------------------------------|------------------------------|---------------------------|----------------------------|
| Revenues Under Present Rates as Booked (Historical 2005 Case) | | | | | | | |
| 1 Base Rate Revenue | (\$) | 13,160,885 | 5,586,699 | 5,794,635 | 1,435,299 | 39,829 | 304,423 |
| 2 Purchased Power Adj. Rev. | (\$) | 189,378 | 108,916 | 63,677 | 16,785 | 0 | 0 |
| 3 Subtotal Rate Revenue | (\$) | 13,350,263 | 5,695,615 | 5,858,312 | 1,452,084 | 39,829 | 304,423 |
| 4 Other Allocated Revenue | (\$) | 34,660 | 2,609 | 25,827 | 5,331 | 29 | 864 |
| 5 Total Revenue | (\$) | 13,384,923 | 5,698,224 | 5,884,139 | 1,457,415 | 39,858 | 305,287 |
| 6 Rates of Return | % | 10.70% | 15.24% | 8.39% | 13.63% | 8.89% | 8.57% |
| Revenues at Equal Rates of Return of 12.5% (Equal ROR Case) | | | | | | | |
| 7 Base Rate Revenue | (\$) | 13,942,985 | 5,571,408 | 6,513,908 | 1,456,783 | 46,131 | 354,755 |
| 8 Purchased Power Adj. Rev. | (\$) | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 Subtotal Rate Revenue | (\$) | 13,942,985 | 5,571,408 | 6,513,908 | 1,456,783 | 46,131 | 354,755 |
| 10 Other Allocated Revenue | (\$) | 34,660 | 2,609 | 25,827 | 5,331 | 29 | 864 |
| 11 Total Revenue | (\$) | 13,977,645 | 5,574,017 | 6,539,735 | 1,462,114 | 46,160 | 355,619 |
| 12 Rates of Return | % | 12.50% | 12.50% | 12.50% | 12.50% | 12.50% | 12.50% |
| 13 Increase to Equal ROR (11 - 5) | (\$) | 592,722 | (124,207) | 655,596 | 4,699 | 6,302 | 50,332 |
| 14 % Increase to Equal ROR | | 4.43% | -2.18% | 11.14% | 0.32% | 15.81% | 16.49% |
| Revenues at Proposed Rates (Proposed Case) | | | | | | | |
| 15 Adjust Eq. ROR Revenue Incr. * | (\$) | 0 | 124,207 | (114,331) | 0 | (1,099) | (8,777) |
| 16 Proposed Rev. Increase (13 + 15) | (\$) | 592,722 | 0 | 541,265 | 4,699 | 5,203 | 41,555 |
| 17 Base Rate Revenue (3+16) | (\$) | 13,942,985 | 5,695,615 | 6,399,577 | 1,456,783 | 45,032 | 345,978 |
| 18 Purchased Power Adj. Rev. | (\$) | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 Subtotal Rate Revenue | (\$) | 13,942,985 | 5,695,615 | 6,399,577 | 1,456,783 | 45,032 | 345,978 |
| 20 Other Allocated Revenue | (\$) | 34,660 | 2,609 | 25,827 | 5,331 | 29 | 864 |
| 21 Total Revenue | (\$) | 13,977,645 | 5,698,224 | 6,425,404 | 1,462,114 | 45,061 | 346,842 |
| 22 Rates of Return | % | 12.50% | 14.64% | 11.64% | 12.50% | 11.64% | 11.58% |
| 23 Base Rate Increase (17 - 1) | (\$) | 782,100 | 108,916 | 604,942 | 21,484 | 5,203 | 41,555 |
| 24 Percentage Increase (23 / 1) | % | 5.94% | 1.95% | 10.44% | 1.50% | 13.06% | 13.65% |
| 25 Rate Revenue Increase (19 - 3) | (\$) | 592,722 | 0 | 541,265 | 4,699 | 5,203 | 41,555 |
| 26 Percentage Increase (25 / 3) | % | 4.44% | 0.00% | 9.24% | 0.32% | 13.06% | 13.65% |
| 27 Total Revenue Increase (21 - 5) | (\$) | 592,722 | 0 | 541,265 | 4,699 | 5,203 | 41,555 |
| 28 Percentage Increase (27 / 5) | % | 4.43% | 0.00% | 9.20% | 0.32% | 13.05% | 13.61% |

29 * Proposed revenues are based on the equal ROR revenue increases, with the Industrial class limited to no decrease, and the indicated decrease for Industrial allocated to Residential and Lighting classes proportional to the equal ROR increase amounts.

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2005

PRESENT RATES
Docket No. 2007-33-E

| Description | Bills | Billing Demand | Kilowatt-hours | Rate | Revenue | Correction Factor | Corrected Revenue |
|--|--------|----------------|----------------|----------|-------------|-------------------|-------------------|
| 1 RESIDENTIAL SERVICE - SCHEDULE R | | | | | | | |
| 2 Annual Bills | 48,517 | | | \$6.50 | \$315,361 | | |
| 3 First 1000 kWh | | | 35,375,434 | \$0.0747 | \$2,642,545 | | |
| 4 Over 1000 kWh | | | 15,403,318 | \$0.0840 | \$1,293,879 | | |
| 5 Total Sch. R | 48,517 | | 50,778,752 | \$0.0837 | \$4,251,785 | 1.000029 | \$4,251,908 |
| 6 RESIDENTIAL SERVICE, ALL ELECTRIC - SCHEDULE RA | | | | | | | |
| 7 May - September | | | | | | | |
| 8 Bills | 5,466 | | | \$6.50 | \$35,529 | | |
| 9 First 1000 kWh | | | 4,888,805 | \$0.0747 | \$365,194 | | |
| 10 Over 1000 kWh | | | 3,210,101 | \$0.0840 | \$269,648 | | |
| 11 Total Summer | 5,466 | | 8,098,906 | \$0.0828 | \$670,371 | | |
| October through April | | | | | | | |
| 12 Bills | 7,628 | | | \$6.50 | \$49,582 | | |
| 13 First 1000 kWh | | | 6,916,984 | \$0.0747 | \$516,699 | | |
| 14 Over 1000 kWh | | | 5,190,660 | \$0.0590 | \$306,249 | | |
| 15 Total Winter | 7,628 | | 12,107,644 | \$0.0721 | \$872,530 | | |
| 16 Total Sch. RA | 13,094 | | 20,206,550 | \$0.0764 | \$1,542,901 | 1.000012 | \$1,542,920 |
| 17 Total Residential | 61,611 | | 70,985,302 | \$0.0816 | \$5,794,686 | | \$5,794,828 |
| 18 GENERAL SERVICE COMMERCIAL - SCHEDULE C3 | | | | | | | |
| 19 Annual Bills | 13,477 | | | \$6.50 | \$87,601 | | |
| 20 Billed Demand | | 25,137 | | \$2.70 | \$67,870 | | |
| 21 First 3000 kWh | | | 6,385,330 | \$0.1057 | \$674,929 | | |
| 22 Over 3000 kWh | | | 5,327,799 | \$0.0550 | \$293,029 | | |
| 23 Over 200 hrs use | | | 2,957,879 | \$0.0391 | \$115,653 | | |
| 24 Subtotal Sch. C3 | 13,477 | 25,137 | 14,671,008 | \$0.0845 | \$1,239,082 | 1.000007 | \$1,239,091 |
| 25 plus Extra Facilities | | | | | | | \$300 |
| 26 Total Sch. C3 | | | | | | | \$1,239,391 |
| GENERAL SERVICE, ALL ELECTRIC - SCHEDULE GA | | | | | | | |
| May through September | | | | | | | |
| 25 Annual Bills | 185 | | | \$6.50 | \$1,203 | | |
| 26 Billed Demand | | 2,772 | | \$2.70 | \$7,484 | | |
| 27 First 3000 kWh | | | 288,401 | \$0.1057 | \$30,484 | | |
| 28 Over 3000 kWh | | | 583,231 | \$0.0550 | \$32,078 | | |
| 29 Over 200 hrs use | | | 288,945 | \$0.0391 | \$11,298 | | |
| 30 Total Summer | 185 | 2,772 | 1,160,577 | \$0.0711 | \$82,547 | | |
| October through April | | | | | | | |
| 31 Annual Bills | 259 | | | \$6.50 | \$1,684 | | |
| 32 Billed Demand | | 4,735 | | \$2.50 | \$11,838 | | |
| 33 First 3000 kWh | | | 415,241 | \$0.0997 | \$41,400 | | |
| 34 Over 3000 kWh | | | 877,432 | \$0.0509 | \$44,661 | | |
| 35 Over 200 hrs use | | | 376,132 | \$0.0370 | \$13,917 | | |
| 36 Total Winter | 259 | 4,735 | 1,668,805 | \$0.0680 | \$113,500 | | |
| 37 Total Sch. GA | 444 | 7,507 | 2,829,382 | \$0.0693 | \$196,047 | 0.999297 | \$195,909 |
| 38 Total Commercial | 13,921 | 32,644 | 17,500,390 | \$0.0820 | \$1,435,129 | | \$1,435,300 |

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2005

PRESENT RATES
Docket No. 2007-33-E

| Description | Bills | Billing Demand | Kilowatt-hours | Rate | Revenue | Correction Factor | Corrected Revenue |
|--|----------------|---------------------|----------------|----------|--------------|-------------------|-------------------|
| 1 INDUSTRIAL SERVICE - SCHEDULE I | | | | | | | |
| 2 Annual Bills | 121 | | | \$0.00 | \$0 | | |
| 3 Billed Demand | | 258,337 | | \$2.35 | \$607,092 | | |
| 4 First 50,000 kWh | | | 6,002,680 | \$0.0680 | \$408,182 | | |
| 5 Over 50,000 kWh | | | 43,701,200 | \$0.0443 | \$1,935,963 | | |
| 6 Over 200 hrs use | | | 73,555,940 | \$0.0358 | \$2,633,303 | | |
| 7 Subtotal Sch. I | 121 | 258,337 | 123,259,820 | \$0.0453 | \$5,584,540 | 1.000000 | \$5,584,540 |
| 8 plus Extra Facilities | | | | | | | \$2,160 |
| 9 Total Sch. I | | | | | | | \$5,586,700 |
| | | | | | | | |
| 10 TOTAL Res Com Ind | 75,653 | 290,981 | 211,745,512 | \$0.0605 | \$12,814,355 | | \$12,816,828 |
| | | | | | | | |
| Description | Dec 2005 Bills | Dec 2005 Bills x 12 | Kilowatt-hours | Rate | Revenue | Correction Factor | Corrected Revenue |
| 11 STREET LIGHTING SERVICE - SCHEDULE SL | | | | | | | |
| 12 100/175 Watt Open | 456 | 5,472 | | \$6.90 | \$37,757 | | |
| 13 100/175 Watt Encl | 2 | 24 | | \$8.30 | \$199 | | |
| 14 400 Watt Encl | 13 | 156 | | \$12.74 | \$1,987 | | |
| 15 TOTAL Sch. SL | 471 | 5,652 | 305,136 | \$0.1309 | \$39,943 | NA | \$39,943 |
| | | | | | | | |
| 16 OUTDOOR LIGHTING SERVICE - SCHEDULE OL | | | | | | | |
| 17 100Watt / 175Watt | 3,095 | 37,140 | | \$7.22 | \$268,151 | | |
| 18 400 Watt | 165 | 1,980 | | \$13.29 | \$26,314 | | |
| 19 1,000 Watt | 26 | 312 | | \$37.25 | \$11,622 | | |
| 20 Poles | 9 | 108 | | \$2.50 | \$270 | | |
| 21 TOTAL Sch. OL | 3,260 | 39,120 | 2,131,724 | \$0.1437 | \$306,357 | NA | \$306,357 |
| 22 Total SL & OL | 3,731 | 44,772 | 2,436,860 | \$0.1421 | \$346,300 | | \$346,300 |
| | | | | | | | |
| 23 Grand Total | | | 214,182,372 | \$0.0614 | \$13,160,655 | | \$13,163,128 |
| 24 Prior period Adjustments | | | | | | | (\$194) |
| 25 Lighting Overstatement | | | | | | | (\$2,048) |
| 26 Booked Base Revenue | | | | | | | \$13,160,886 |

LOCKHART POWER COMPANY

Docket No. 2007-33-E

BOOKED REVENUES vs BILLING DETERMINANTS COMPUTATION OF BILLING DETERMINANT CORRECTION FACTORS TEST YEAR ENDED DECEMBER 31, 2005

| Rate Schedule | Total Rate Revenue per Books | PPAC Revenue per Books | Base Rate Revenue | Extra Facilities | Prior Period Adjustments | Adjusted Base Rate Revenue | Base Rate Revenue per Billing Determinants | Diff. | Correction Factor |
|-----------------------|------------------------------------|------------------------------|----------------------|---------------------|-----------------------------|----------------------------------|---|-----------|----------------------|
| 1 Schedule R | \$4,300,475 | \$48,456 | \$4,252,019 | \$0 | (\$110) | \$4,251,909 | \$4,251,785 | \$124 | 1.000029 |
| 2 Schedule RA | \$1,557,837 | \$15,221 | \$1,542,616 | \$0 | 304 | \$1,542,920 | \$1,542,901 | \$19 | 1.000012 |
| 3 Subtotal Res'l. | \$5,858,312 | \$63,677 | \$5,794,635 | \$0 | \$194 | \$5,794,829 | \$5,794,686 | \$143 | |
| 4 Schedule C3 | \$1,253,873 | \$14,483 | \$1,239,390 | (\$300) | \$0 | \$1,239,090 | 1,239,082 | \$8 | 1.000007 |
| 5 Schedule GA | \$198,211 | \$2,302 | \$195,909 | \$0 | \$0 | \$195,909 | 196,047 | (\$138) | 0.999297 |
| 6 Subtotal Commercial | \$1,452,084 | \$16,785 | \$1,435,299 | (\$300) | \$0 | \$1,434,999 | \$1,435,129 | (\$130) | |
| 7 Schedule I | \$5,695,615 | \$108,916 | \$5,586,699 | (\$2,160) | \$0 | \$5,584,539 | 5,584,540 | (\$1) | 1.000000 |
| 8 Schedule SL | \$39,829 | \$0 | \$39,829 | \$0 | \$0 | \$39,829 | \$39,943 | (\$114) | NA |
| 9 Schedule OL | \$304,423 | \$0 | \$304,423 | \$0 | \$0 | \$304,423 | \$306,357 | (\$1,934) | NA |
| 10 Totals | \$13,350,263 | \$189,378 | \$13,160,885 | (\$2,460) | \$194 | \$13,158,619 | \$13,160,655 | (\$2,036) | |

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2005

PROPOSED RATES

Docket No. 2007-33-E

| Description | Bills | Billing Demand | Kilowatt-hours | Rate | Revenue | Correction Factor | Corrected Revenue | Rev. Target Difference % Difference |
|--|--------|----------------|----------------|----------|-------------|-------------------|-------------------|-------------------------------------|
| 1 RESIDENTIAL SERVICE - SCHEDULE R | | | | | | | | |
| 2 Annual Bills | 48,517 | | | \$6.50 | \$315,361 | | | |
| 3 First 1000 kWh | | | 35,375,434 | \$0.0831 | \$2,939,699 | | | |
| 4 Over 1000 kWh | | | 15,403,318 | \$0.0934 | \$1,438,670 | | | |
| 5 Total Sch. R | 48,517 | | 50,778,752 | \$0.0924 | \$4,693,730 | 1.000029 | \$4,693,866 | |
| 6 RESIDENTIAL SERVICE, ALL ELECTRIC - SCHEDULE RA | | | | | | | | |
| 7 May - September | | | | | | | | |
| 8 Bills | 5,466 | | | \$6.50 | \$35,529 | | | |
| 9 First 1000 kWh | | | 4,888,805 | \$0.0831 | \$406,260 | | | |
| 10 Over 1000 kWh | | | 3,210,101 | \$0.0934 | \$299,823 | | | |
| 11 Total Summer | 5,466 | | 8,098,906 | \$0.0916 | \$741,612 | | | |
| October through April | | | | | | | | |
| 12 Bills | 7,628 | | | \$6.50 | \$49,582 | | | |
| 13 First 1000 kWh | | | 6,916,984 | \$0.0831 | \$574,801 | | | |
| 14 Over 1000 kWh | | | 5,190,660 | \$0.0654 | \$339,469 | | | |
| 15 Total Winter | 7,628 | | 12,107,644 | \$0.0796 | \$963,852 | | | |
| 16 Total Sch. RA | 13,094 | | 20,206,550 | \$0.0844 | \$1,705,464 | 1.000012 | \$1,705,484 | |
| 17 Total Residential | 61,611 | | 70,985,302 | \$0.0901 | \$6,399,194 | | \$6,399,350 | \$6,399,577 (\$227) -0.0035% |
| 18 GENERAL SERVICE COMMERCIAL - SCHEDULE C3 | | | | | | | | |
| 19 Annual Bills | 13,477 | | | \$6.75 | \$90,970 | | | |
| 20 Billed Demand | | 25,137 | | \$3.00 | \$75,411 | | | |
| 21 First 3000 kWh | | | 6,385,330 | \$0.1056 | \$674,291 | | | |
| 22 Over 3000 kWh | | | 5,327,799 | \$0.0571 | \$304,217 | | | |
| 23 Over 200 hrs use | | | 2,957,879 | \$0.0376 | \$111,216 | | | |
| 24 Subtotal Sch. C3 | 13,477 | 25,137 | 14,671,008 | \$0.0856 | \$1,256,105 | 1.000007 | \$1,256,114 | |
| 25 plus Extra Facilities | | | | | | | \$300 | |
| 26 Total Sch. C3 | | | | | | | \$1,256,414 | |
| GENERAL SERVICE, ALL ELECTRIC - SCHEDULE GA | | | | | | | | |
| May through September | | | | | | | | |
| 25 Annual Bills | 185 | | | \$6.75 | \$1,249 | | | |
| 26 Billed Demand | | 2,772 | | \$3.00 | \$8,316 | | | |
| 27 First 3000 kWh | | | 288,401 | \$0.1056 | \$30,455 | | | |
| 28 Over 3000 kWh | | | 583,231 | \$0.0571 | \$33,302 | | | |
| 29 Over 200 hrs use | | | 288,945 | \$0.0376 | \$10,864 | | | |
| 30 Total Summer | 185 | 2,772 | 1,160,577 | \$0.0725 | \$84,186 | | | |
| October through April | | | | | | | | |
| 31 Annual Bills | 259 | | | \$6.75 | \$1,748 | | | |
| 32 Billed Demand | | 4,735 | | \$2.80 | \$13,258 | | | |
| 33 First 3000 kWh | | | 415,241 | \$0.0996 | \$41,358 | | | |
| 34 Over 3000 kWh | | | 877,432 | \$0.0530 | \$46,504 | | | |
| 35 Over 200 hrs use | | | 376,132 | \$0.0354 | \$13,315 | | | |
| 36 Total Winter | 259 | 4,735 | 1,668,805 | \$0.0696 | \$116,183 | | | |
| 37 Total Sch. GA | 444 | 7,507 | 2,829,382 | \$0.0708 | \$200,369 | 0.999297 | \$200,228 | |
| 38 Total Commercial | 13,921 | 32,644 | 17,500,390 | \$0.0832 | \$1,456,474 | | \$1,456,642 | |
| plus Extra Facilities | | | | | | | \$300 | |
| Total Commercial incl. Extra Facilities | | | | | | | \$1,456,942 | \$1,456,783 \$159 0.0109% |

LOCKHART POWER COMPANY
RETAIL RATE BILLING DETERMINANTS
TEST YEAR ENDED DECEMBER 31, 2005

PROPOSED RATES

Docket No. 2007-33-E

| Description | Bills | Billing Demand | Kilowatt-hours | Rate | Revenue | Correction Factor | Corrected Revenue | Rev. Target Difference % Difference |
|--|--------|----------------|----------------|----------|--------------|-------------------|-------------------|-------------------------------------|
| 1 INDUSTRIAL SERVICE - SCHEDULE I | | | | | | | | |
| 2 Annual Bills | 121 | | | \$0.00 | \$0 | | | |
| 3 Billed Demand | | 258,337 | | \$2.60 | \$671,676 | | | |
| 4 First 50,000 kWh | | | 6,002,680 | \$0.0668 | \$400,979 | | | |
| 5 Over 50,000 kWh | | | 43,701,200 | \$0.0480 | \$2,097,658 | | | |
| 6 Over 200 hrs use | | | 73,555,940 | \$0.0343 | \$2,522,969 | | | |
| 7 Subtotal Sch. I | 121 | 258,337 | 123,259,820 | \$0.0462 | \$5,693,282 | 1.000000 | \$5,693,282 | |
| 8 plus Extra Facilities | | | | | | | \$2,160 | |
| 9 Total Schedule I incl. Extra Facilities | | | | | | | \$5,695,442 | \$5,695,615 (\$173) -0.0030% |
| 10 TOTAL Res Com Ind | 75,653 | 290,981 | 211,745,512 | \$0.0640 | \$13,548,950 | | \$13,551,734 | \$13,551,975 (\$241) -0.0018% |
| 11 STREET LIGHTING SERVICE - SCHEDULE SL | | | | | | | | |
| 12 100/175 Watt Open | 456 | 5,472 | | \$7.80 | \$42,682 | | | |
| 13 100/175 Watt Encl | 2 | 24 | | \$9.40 | \$226 | | | |
| 14 400 Watt Encl | 13 | 156 | | \$14.40 | \$2,246 | | | |
| 15 TOTAL Sch. SL | 471 | 5,652 | 305,136 | \$0.1480 | \$45,154 | NA | \$45,154 | \$45,032 \$122 0.2709% |
| 16 OUTDOOR LIGHTING SERVICE - SCHEDULE OL | | | | | | | | |
| 17 100Watt / 175Watt | 3,095 | 37,140 | | \$8.15 | \$302,691 | | | |
| 18 400 Watt | 165 | 1,980 | | \$15.10 | \$29,898 | | | |
| 19 1,000 Watt | 26 | 312 | | \$42.30 | \$13,198 | | | |
| 20 Poles | 9 | 108 | | \$2.80 | \$302 | | | |
| 21 TOTAL Sch. OL | 3,260 | 39,120 | 2,131,724 | \$0.1624 | \$346,089 | NA | \$346,089 | \$345,978 \$111 0.0321% |
| 22 Total SL & OL | 3,731 | 44,772 | 2,436,860 | \$0.1606 | \$391,243 | | \$391,243 | \$391,010 \$233 0.0596% |
| 23 Grand Total | | | 214,182,372 | \$0.0651 | \$13,940,193 | | \$13,942,977 | \$13,942,985 (\$8) -0.0001% |

Lockhart Power Co.
Cost of Service Study - Year Ended December 31, 2005 - Proforma
Docket No. 2007-33-E

Computation of Purchased Power Adjustment Base Amount

| | | |
|---|--|----------------------|
| 1 | Purchased Power Cost | 11,868,847 |
| 2 | Total Sales of Electricity | 355,578,496 kwh |
| 3 | Purchased Power Adjustment Clause Base (ln1/ln2) | 3.3379 cents per kwh |

Lockhart Power Co.
Rates of Return on Rate Base and Equity

Docket No. 2007-33-E

| Description | (1) Total Retail | (2) Industrial Service | (3) Residential Service | (4) Commercial Service | (5) Street Lighting | (6) Outdoor Lighting |
|---|------------------------|------------------------------|-------------------------------|------------------------------|---------------------------|----------------------------|
| Present Rates (Historical 2005 Case) | | | | | | |
| 1 Return | \$1,373,464 | \$476,124 | \$631,733 | \$211,375 | \$6,614 | \$47,618 |
| 2 Rate Base | \$12,830,175 | \$3,123,895 | \$7,525,452 | \$1,550,484 | \$74,412 | \$555,932 |
| 3 Return on Rate Base and Equity * | 10.70% | 15.24% | 8.39% | 13.63% | 8.89% | 8.57% |
| Proposed Rates | | | | | | |
| 4 Return | \$1,788,123 | \$531,387 | \$963,612 | \$215,041 | \$9,267 | \$68,816 |
| 5 Rate Base | \$14,304,989 | \$3,628,831 | \$8,281,684 | \$1,720,329 | \$79,642 | \$594,503 |
| 6 Return on Rate Base and Equity * | 12.50% | 14.64% | 11.64% | 12.50% | 11.64% | 11.58% |

* Lockhart Power Company is 100% equity financed.
 Consequently, Return on Rate Base is equal to Return on Equity.

Lockhart Power Co.
Fixed Assets and Depreciation Reserve
Year Ended December 31, 2005

Docket No. 2007-33-E

| Description | Total Lockhart (1) | Total Retail (2) | Industrial Service (3) | Residential Service (4) | Commercial Service (5) | Street Lighting (6) | Outdoor Lighting (7) | Resale (8) |
|------------------------------|--------------------------|------------------------|------------------------------|-------------------------------|------------------------------|---------------------------|----------------------------|---------------|
| 1 Plant in Service | | | | | | | | |
| 2 Production | \$10,861,198 | \$6,478,334 | \$3,503,658 | \$2,341,712 | \$578,218 | \$6,548 | \$48,199 | \$4,382,864 |
| 3 Transmission | 3,621,299 | 2,136,290 | 1,076,392 | 841,685 | 208,124 | 1,228 | 8,861 | 1,485,009 |
| 4 Distribution | 18,149,992 | 17,534,812 | 1,150,297 | 12,646,138 | 2,451,293 | 152,391 | 1,134,694 | 615,180 |
| 5 General | 1,796,110 | 1,462,795 | 310,078 | 894,572 | 186,002 | 7,956 | 64,187 | 333,315 |
| 6 Intangible | 991,070 | 591,139 | 319,704 | 213,678 | 52,762 | 597 | 4,398 | 399,931 |
| 7 Total Plant in Service | 35,419,669 | 28,203,370 | 6,360,130 | 16,937,785 | 3,476,398 | 168,719 | 1,260,339 | 7,216,299 |
| 8 Accumulated Depr. & Amort. | | | | | | | | |
| 9 Production | 4,555,438 | 2,717,163 | 1,469,515 | 982,168 | 242,518 | 2,746 | 20,216 | 1,838,275 |
| 10 Transmission | 2,311,420 | 1,363,561 | 687,045 | 537,235 | 132,842 | 784 | 5,656 | 947,859 |
| 11 Distribution | 8,924,847 | 8,636,626 | 539,153 | 6,249,930 | 1,211,323 | 75,329 | 560,892 | 288,221 |
| 12 General | 914,014 | 744,395 | 157,794 | 455,235 | 94,653 | 4,049 | 32,664 | 169,619 |
| 13 Intangible | 133,649 | 79,717 | 43,113 | 28,815 | 7,115 | 81 | 593 | 53,932 |
| 14 Total Accum. Depr. | 16,839,368 | 13,541,463 | 2,896,620 | 8,253,383 | 1,688,451 | 82,988 | 620,021 | 3,297,905 |
| 15 Net plant | | | | | | | | |
| 16 Production | 6,305,760 | 3,761,171 | 2,034,143 | 1,359,544 | 335,700 | 3,801 | 27,983 | 2,544,589 |
| 17 Transmission | 1,309,879 | 772,729 | 389,348 | 304,450 | 75,281 | 444 | 3,205 | 537,150 |
| 18 Distribution | 9,225,145 | 8,898,186 | 611,144 | 6,396,207 | 1,239,970 | 77,062 | 573,802 | 326,959 |
| 19 General | 882,096 | 718,400 | 152,284 | 439,338 | 91,348 | 3,907 | 31,523 | 163,696 |
| 20 Intangible | 857,421 | 511,422 | 276,591 | 184,863 | 45,647 | 517 | 3,805 | 345,999 |
| 21 Total Net plant | 18,580,301 | 14,661,907 | 3,463,509 | 8,684,401 | 1,787,947 | 85,732 | 640,318 | 3,918,394 |

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